MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210 & TERM ID 2215)

BAC 2634 – FINANCIAL ACCOUNTING AND REPORTING II

(All sections / Groups)

15 FEBRUARY 2023
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT:

1. This paper consists of **SIX (6)** pages excluding cover page with **4** Questions only.
2. Answer **ALL** questions.
3. All questions carry equal marks and the distribution of marks for each question is given.
4. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

TW Berhad involves in supplying decorative celling fans which are Type AA and Type BB fans. The following are the details of the inventories for the year ended 31 December 2021.

	Type AA RM	Type BB RM
Invoice price per unit	1,000	900
Handling charges per unit	200	220

	Type AA Units	Type BB Units
Unit purchased during the year	20,000	15,000
Unit sold during the year	17,000	11,000

The estimated selling price for Type AA and Type BB are RM1,500 and RM1,000 respectively. The administrative costs incurred during the year was RM20,000.

Required:
Calculate the value of inventories and prepare journal entry for the written down amount to net realizable value (NRV) as at 31 December 2021 in accordance with MFRS 102 *Inventories*. (7 marks)

Part B

Below is the information relating to the intangible assets of Yehia Bhd. for the year ended 31 December 2021.

a) On 1 January 2019, Yehia Bhd. purchased a patent from Khaleed Sport Bhd. at cost of RM300,000. The patent has an estimated useful life of 10 years.

b) Yehia Bhd. purchased laboratory equipment costing RM500,000 on 1 January 2021 to carry out various research and development projects. The cost for research phase was RM200,000 and development phase was RM800,000. The development phase met the criteria for capitalization. The estimated economic life of the equipment was 10 years with no residual value.

c) During 2021, Yehia Bhd. applied for and received a licence from the government. The legal and other attributable cost associated with the filling of the licence were RM150,000. The economic benefits expected to be received from the use of the licence is indefinite.

d) Over the years, Yehia Bhd. has incurred expenditures that contribute to internally generated goodwill. The directors have estimated RM1,400,000 as the cost of internally generated goodwill.

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Required:
Illustrate the accounting treatment for each of the above transactions in accordance with MFRS 138 *Intangible Asset.* (10 marks)

Part C

On 1 January 2021, Sinar Bhd. purchased a 10-storey building in Jasin, Melaka for RM2 million. The estimated useful life of the building is 25 years. 7-storey of the building are held for supply of goods and services to its customers. The remaining 3-storey are leased out to tenants. According to the sale and purchase agreement of this building, each storey can be sold or leased out separately.

Required:
Illustrate the accounting treatment of the building in accordance to the requirements of MFRS 140 *Investment Property.* (8 marks)

[TOTAL: 25 MARKS]

QUESTION 2

On 1 January 2021, DPPS Bhd. (DPPS) purchased a new machine, Machine A, for cash of RM3,000,000 each. Another machine, Machine B was purchased on 1 July 2021 for cash of RM3,000,000. Both Machine A and Machine B have an expected life of five years and RM200,000 residual value. Depreciation is computed based on time-apportioned basis.

Both machines are entitled to the government grants. DPPS received a 60% grant towards the cost of each machine on the date of purchase. DPPS Bhd.'s accounting policy for government grants is to treat them as deferred income and release them to income over the life of the asset to which they relate.

On 31 December 2021, it is found that DPPS can no longer fulfil the requirements of the government of one of the machines, Machine A and hence DPPS had to repay the grant for Machine A in full on 31 December 2021.

The accounting year end for DPPS is 31 December each year.

Required:
In relation to MFRS 120 *Government Grants*:

a) Prepare the journal entries to record the grants, depreciation, and the repayment of the grants from 1 January 2021 until 31 December 2021. (15 marks)

b) Prepare the extracts of financial statements of DPPS for the year ended 31 December 2021. (10 marks)

[TOTAL: 25 MARKS]
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QUESTION 3

The following are the financial statements of Global Berhad.

Global Berhad
Statement of Profit or Loss
For the year ended 31 December 2021

	RM'000
Revenue	22,800
Cost of sales	(8,300)
Gross profit	14,500
Operating expenses	(3,930)
Finance cost	(1,250)
Profit before tax	9,320
Taxation	(2,700)
Profit for the year	6,620

Global Berhad
Statement of Financial Position
as at 31 December

	2021 RM'000	**2020 RM'000**
Assets		
Property, plant and equipment	16,500	15,800
Investment	4,200	3,100
Inventory	4,000	2,700
Account receivable	4,000	3,100
Cash and bank	4,600	2,500
	33,300	27,200
Equity and Reserves		
Ordinary shares	12,500	11,000
Preference shares	500	300
Revaluation reserves	200	-
Retained earnings	15,000	10,400
Liabilities		
5% Debenture	400	700
Tax payable	350	950
Interest payable	1,100	1,050
Account payable	3,250	2,800
	33,300	27,200

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Additional Information:

1. Included in property, plant and equipment was a land acquired by cash.

2. During the year, a plant with carrying value of RM420,000 was disposed at a loss of RM20,000.

3. Current year depreciation charged for depreciable property, plant and equipment were RM200,000.

4. Investment costing RM300,000 was sold for a gain of RM35,000.

5. During the year, the company utilized its retained earnings to issue bonus shares to its existing shareholders amounted to RM700,000.

6. A dividend was declared and paid during the year.

Required:
Prepare the Statement of Cash Flows for the year ended 31 December 2021 using indirect method in accordance with MFRS 107 *Statement of Cash Flows*.

[TOTAL: 25 MARKS]

QUESTION 4

Part A

On 1 January 20x2, ABC Bhd. has three bank loans to finance the construction of its qualifying assets:

A five-year term loan of RM20 million at an interest rate of 5% per annum
A seven-year term loan of RM30 million at an interest rate of 6% per annum
A ten-year term loan of RM50 million at an interest rate of 7% per annum.

As of 31 December 20x2, ABC Bhd. incurred RM10 million in the construction of a factory building and the remaining loans were used to finance its working capital.

ABC Bhd. year end is 31 December 20x2.

Required:
To calculate:

a) the amount of borrowing cost eligible for capitalisation, (1 mark)

b) interest expense to statement of profit or loss. (2 marks)

c) the total amount capitalised for factory building for the period ended 31 December 20x2. (2 marks)

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Part B

All Best Bhd is preparing its financial statements for the year ended 31 December 20x6.

The draft Statement of profit or loss and draft Statement of retained profits of All Best Bhd. for the current year ended 31 December 20x6 and the prior year ended 31 December 20x5 are as follows:

All Best Bhd.
Draft Statement of Profit or Loss
For the period ended 31 December

	20x6	20x5
	RM	RM
Revenue	3.000	3,000
Cost of sales	(1,000)	(800)
Gross profit	2,000	2,200
Operating expenses	(1,000)	(1,000)
Profit before taxation	1,000	1,200
Income tax expense	(300)	(360)
Profit after taxation	700	840

All Best Bhd.
Draft Statement of Retained Earnings
For the period ended

	20x6	20x5
	RM	RM
Beginning Balance	840	-
Profit after taxation	700	840
Ending Balance	1,540	840

The draft accounts were prepared before considering the following:

i. An under-provision of RM500 for a receivable in 20x5 who has now been declared a bankrupt.

ii. The current tax provision of 20x5 was over-provided by RM100 based on the final self-assessment tax computation completed in the current year.

iii. The ending inventories in 20x5 were over-stated by RM500 due to mathematical mistakes.

iv. Tax rate is 30%.

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Required:

a) Identify (i), (ii) and (iii) whether it is a change in accounting estimate or errors.
(3 marks)

b) Prepare the corrected Statement of profit or loss and Statement of retained profits of All Best Bhd. for the year ended 31 December 20x6 and the prior year ended 31 December 20x5 in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.
(10 marks)

Part C

i) Admiral Construction Sdn. Bhd. (AC), a contractor, enters a contract with Precision Tools Sdn. Bhd. (PT), to construct a factory building. A contract modification arises when PT requests for an annexure office block to be built next to the factory. The price of this annexure is negotiated separately.

Required:

How to account for the modification?
(2 marks)

ii) Briefly state the 5-step model of MFRS 15 *Revenue from Contracts with Customers* in recognising revenue.
(5 marks)

[TOTAL: 25 MARKS]

End of Paper